



Agenda Date: 2/24/09
Agenda Item: IVB

STATE OF NEW JERSEY
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102
www.nj.gov/bpu/

TELECOMMUNICATIONS

IN THE MATTER OF VERIFIED PETITION OF)
MATRIX TELECOM, INC. FOR APPROVAL TO)
FOR APPROVAL TO PARTICIPATE IN CERTAIN)
FINANCING ARRANGEMENTS)

ORDER OF APPROVAL

DOCKET NO. TF09010065

(SERVICE LIST ATTACHED)

BY THE BOARD:

On January 20, 2009, Matrix Telecom, Inc. ("Matrix" or "Petitioner"), filed a petition with the Board of Public Utilities ("Board") requesting expedited approval under N.J.S.A. 48:3-7 and 48:3-9 to participate in certain financing arrangements whereby Matrix will incur long-term debt obligations consisting of a senior secured second lien facility and a senior secured third lien facility, and will encumber its property through the grant of a security interest in its assets in support of the financing arrangements.

BACKGROUND

Matrix is a Texas corporation with principal offices located at 7171 Forest Lane, Suite 700, Dallas, Texas 75230. Established in 1991, Matrix is a competitive provider of integrated communications services including local, 1+ long distance and toll-free voice services plus a wide range of data services, such as dedicated Internet access, frame relay and point-to-point transmission services, chiefly to enterprise customers. Matrix is authorized to provide facilities-based and/or resold interexchange and/or competitive local exchange telecommunications services in all 50 states and the District of Columbia. In New Jersey, Matrix operates as a reseller and facilities-based provider of local and interexchange telecommunications services. In New Jersey, Matrix is authorized to provide facilities-based competitive local exchange telecommunications service pursuant to authority granted by the Board in Docket No. TE06120898 on April 13, 2007.

According to the petition, Matrix Petitioner has executed several credit agreements and related transaction documents that will establish long-term financing arrangements to provide working capital, finance capital expenditures, refinance existing indebtedness, and other general corporate purposes. The borrowers in these financing arrangements are expected to include the Petitioner, Americatel Corporation ("Americatel"), Startec Global Operating Company ("Startec"), Startec Global Communications Corporation ("SGCC"), and Startec Global Canadian Holding Company ("SGCHC") and MTAC Holding Corporation ("MTAC"), a Delaware corporation, and the corporate parent of SGCC, Matrix and Americatel (Applicant, Americatel, Startec, SGCC, SGCHC, and MTAC collectively "Borrowers"). Matrix is the only one of the Borrowers to hold facilities-based authority from the Board.

According to the petition, the financing arrangements are expected to consist of:

- 1) A senior secured second lien facility in an aggregate principal amount to be determined based on market conditions, currently expected to be up to \$40 million (the "Second Facility"). The proceeds of loans under the Second Facility will be used by the Borrowers to refinance certain existing indebtedness of the Borrowers and their subsidiaries, and for other permissible general corporate purposes.
- 2) A senior secured third lien facility in an aggregate principal amount to be determined based on market conditions, currently expected to be up to \$40 million (the "Third Facility"). The proceeds of loans under the Third Facility will be used by the Borrowers to refinance certain existing indebtedness of the Borrowers and their subsidiaries, and for other permissible general corporate purposes.

The Second Facility and Third Facility are each expected to mature within five (5) years after their respective closing dates.

In addition to Matrix's direct obligations under the Second and Third Facilities, all obligations of Borrowers other than Matrix under the Second and Third Facilities will be guaranteed by Matrix, subject to certain exceptions to be determined.¹ Matrix's obligations under the Second and Third Facilities will also be secured by substantially all the assets of Matrix, subject to certain exceptions to be determined

Matrix states that the proposed financing arrangements described herein are consistent with the public interest and will not impair the ability of Matrix to perform services to the public. The financing arrangements will enable the Borrowers to refinance existing obligations, will provide additional capital for capital expenditures and other corporate purposes, will be entirely transparent to New Jersey consumers, and will not alter the rates, terms and conditions under which Matrix provides service in New Jersey. The financing arrangement will not cause a change in the control of Matrix.

¹The Second and Third Facility and related guarantees will be secured on a second- and third-priority basis to an existing Senior First Lien Facility that the Board has previously approved in I/M/O Petition of Matrix Telecom, Inc. for Approval of Certain Financing Agreements, BPU Dkt. No. TF07090699 (March 13, 2008).

Matrix further states that approval of Matrix's participation in the proposed financing arrangements will serve the public interest in promoting competition among telecommunications carriers by providing it with the opportunity to strengthen its financial position. Furthermore, by increasing the breadth and scope of telecommunications services made available through Matrix's ongoing operations, this financing transaction will ultimately benefit New Jersey consumers. In sum, greater access to capital will strengthen the Petitioner's ability to bring competitive telecommunications services to consumers in New Jersey and is, therefore, in the public interest.

The Division of Rate Counsel has reviewed this matter and, by letter dated February 13, 2009, recommended that the Board approve this Petition.

FINDINGS AND CONCLUSIONS

After a thorough review of the petition and all related documents, and the recommendation of Board staff, the Board FINDS that the purposes of this financing are necessary, reasonable and proper; that the proposed borrowing is in accordance with law and is in the public interest; and that the purposes thereof should be approved.

The Board, after being satisfied with the actions as proposed by Matrix as indicated above, and approving the purposes thereof, HEREBY ORDERS that Matrix be and is HEREBY AUTHORIZED to participate in the financing transaction as hereinabove described.

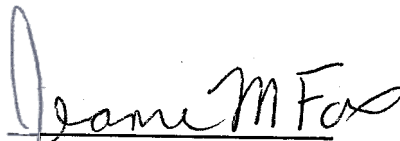
This Order is subject to the following provisions:

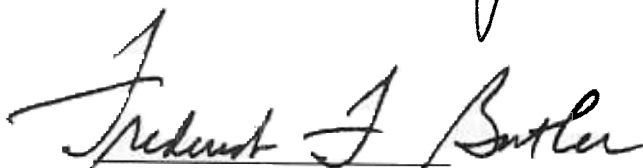
- 1 This Board's approval is expressly limited to the financing described herein and as more fully described in the Petition and supporting documents.
- 2 This Order shall not be construed as directly or indirectly fixing, for any purpose whatsoever, any value of the tangible or intangible assets now owned or hereafter to be owned by Matrix.
- 3 This Order shall not affect nor in any way limit the exercise of the authority of this Board, or of the State of New Jersey, in any future petition or in any proceedings with respect to rates, franchises, services, financing (including the method of sale of securities), accounting, capitalization, depreciation or in any other matters affecting Matrix.
4. Petitioner shall notify the Board of any material default on the terms of the financing arrangements within five business days of such occurrence.

5. Notwithstanding anything to the contrary in the documents executed pursuant to the financing transactions or other supporting documents, a default or assignment under such agreement shall not constitute automatic transfer of Petitioners' assets. Board approval must be sought pursuant to N.J.S.A. 48:1-1 et seq. where applicable.

DATED: 2/25/09

BOARD OF PUBLIC UTILITIES
BY:


JEANNE M. FOX
PRESIDENT

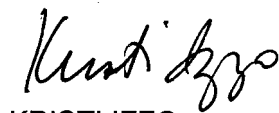

FREDERICK F. BUTLER
COMMISSIONER


JOSEPH L. FIORDALISO
COMMISSIONER

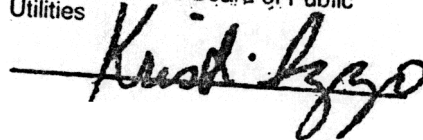

NICHOLAS ASSELTA
COMMISSIONER


ELIZABETH RANDALL
COMMISSIONER

ATTEST:


KRISTI IZZO
SECRETARY

I HEREBY CERTIFY that the within
document is a true copy of the original
in the files of the Board of Public
Utilities



**IN THE MATTER OF THE PETITION OF MATRIX TELECOM, INC. FOR APPROVAL OF
CERTAIN FINANCING ARRANGEMENTS**

**Docket No. TF09010065
SERVICE LIST**

Mark Beyer
Chief Economist
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

Jose Rivera-Benitez, Esq.
Division of Rate Counsel
31 Clinton Street, 11th Floor
PO Box 46005
Newark, NJ 07101

James H. Laskey
Norris, McLaughlin & Marcus, P.A.
721 Route 202-206
Bridgewater, Nj 08807

Robert Wojciak
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

Jessica Campbell, DAG.
Dept of Law & Public Safety
Division of Law
124 Halsey Street
P.O. Box 45029
Newark, NJ 07101

Russell M. Blau
Bingham McCutchen LLP
2020 K Street, NW
Washington, DC 20006

Jeffrey R. Strenkowski
Bingham McCutchen LLP
2020 K Street, NW
Washington, DC 20006

Brett P. Ferenczak
Bingham McCutchen LLP
2020 K Street, NW
Washington, DC 20006